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Proposal Under the Small Community Air Service Development Pilot Program

April 19, 2002

PROPOSERS

Tri-Cities Airport, Washington (a division of the Port of Pasco)

Tri-City Industrial Development Council (TRIDEC)

SPONSORING GOVERNMENT ENTITY

Port of Pasco, Washington

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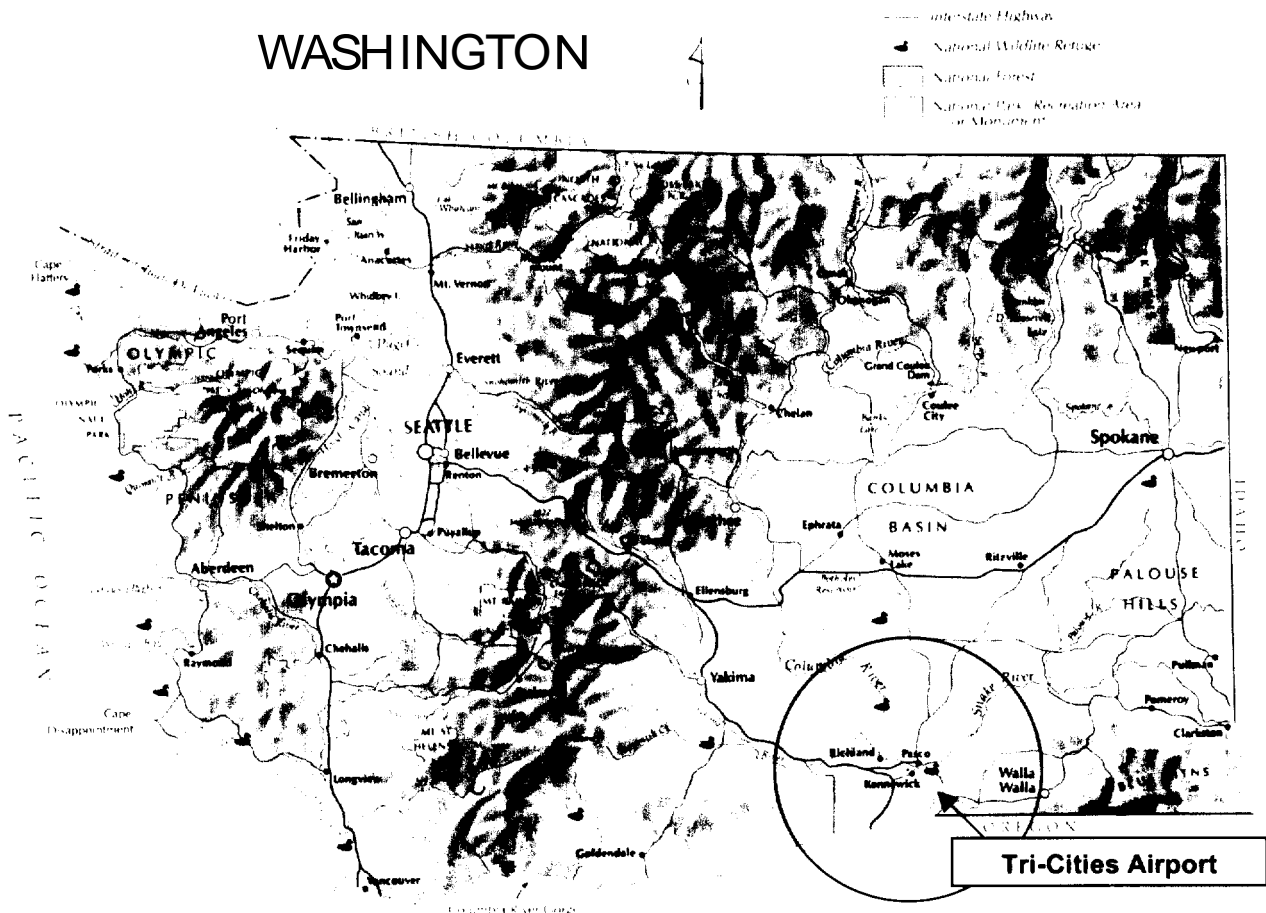


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Executive Summary

The Tri-Cities Airport, a Port of Pasco facility, is proposing to use Federal Government grant money to aid the airport and community in implementing a strategic marketing and advertising plan to support incumbent and new airline service at the airport. Among the many federally supported projects located in and around the Tri-Cities are the US Department of Energy (DOE) facility at Hanford and the DOE's Pacific Northwest National Laboratory. As the Federal Government and its contractors and employees are the primary users of the Tri-Cities Airport, the government has repeatedly requested of its prime contractors that ways be sought to lower airfares into and out of the Tri-Cities Airport. Therefore, in support of this request by the Government, and to further support the economic diversification of the region, the Tri-Cities Airport, in conjunction with the Tri-City Industrial Development Council (TRIDEC) and prominent local businesses, has worked for several years to bring more competitive airline service to the area.

Over the past few years several studies have been conducted on the air service market in the region, including an Air Service Master Plan in 1999. Among the primary conclusions of these studies were that airfares to and from the Tri-Cities are more expensive than from other airports in the region, and the nation, as a whole. The primary solution to this problem was determined to be the recruitment of additional airline service. The community is convinced that increased competition will lead, over time, to lower airfares. The community is also convinced that increased competition in the market will stimulate demand for travel into and out of the community by visitors and residents. It was further determined that the greatest need for the Government and its contractors (the primary users of the Tri-Cities Airport) was increased service eastbound, to points on the eastern seaboard, such as Washington D.C. and New York City.

After receiving scant interest from incumbent airlines to voluntarily reduce airfares, the strategy was implemented to recruit an airline(s) with hub service that would serve points to the east of the Tri-Cities. In 2000, a presentation was made to America West Airlines for regional jet service to Phoenix. With its new slots at Washington Reagan National Airport, its extensive route network through Phoenix and the availability of regional jets, the airline was, and still is, a good fit for the community. America West has thus far declined to serve the community.

In 2001, a presentation was made to United Airlines for regional jet service to Denver. After some time, this proposal was accepted, with service beginning next month (May 2002). The community is hopeful that the increased competition to Delta Air Lines' routes through Salt Lake City will have the effect of lowering airfares and stimulating passenger traffic. We believe that, not only will United Express be successful on its routes to Denver, but Delta should also see a rise in demand as prices are eased. The

community has no intention of having Delta leave the market, or reduce service to the Tri-Cities. Instead, we hope to complement that existing service and increase demand for all carriers serving our market. A profitable Delta (as well as a profitable Horizon) is key to our strategy.

The community has already recognized the need to promote this new service option. To that end, \$50,000 has been pledged by TRIDEC to be used to directly market United Express Denver service over the next six months in the community. Neither the Tri-Cities Airport, nor TRIDEC, has any illusions that promoting the new service will solve all of the pricing problems in the community. However, it is vital for this new service to be successful for several reasons. First, new service recruitment is difficult, at best, for smaller communities and retaining the service we have is our number one goal. Secondly, any new service additions to the Tri-Cities in the future will be dependent on the ability of the community to quickly support the new United Express service, while continuing to support existing Delta and Horizon service. Should the community be successful in implementing its strategy, and things go as planned from the beginning, other opportunities await to bring even more competition to the community.

The Tri-Cities Airport, TRIDEC and community leaders have thus far done what the Federal Government requested, both in researching the market and recruiting new service. We are proposing that the Federal Government, through this DOT grant, help the community by awarding a one-time grant of \$200,000. This money would be used, along with additional local contributions, to help market and advertise all of the services provided by all airlines at the airport. However, special emphasis will be placed on the two options for eastbound service from the Tri-Cities. The grant money would be used specifically for: retaining a local advertising agency, developing advertising copy, conducting awareness surveys and buying and placing ads through print media, newsletters, fliers, television and radio. The Tri-Cities Airport and TRIDEC will support this grant by providing an additional \$20,000. This is in addition to the \$50,000 that TRIDEC has already budgeted to directly promote the United Express service.

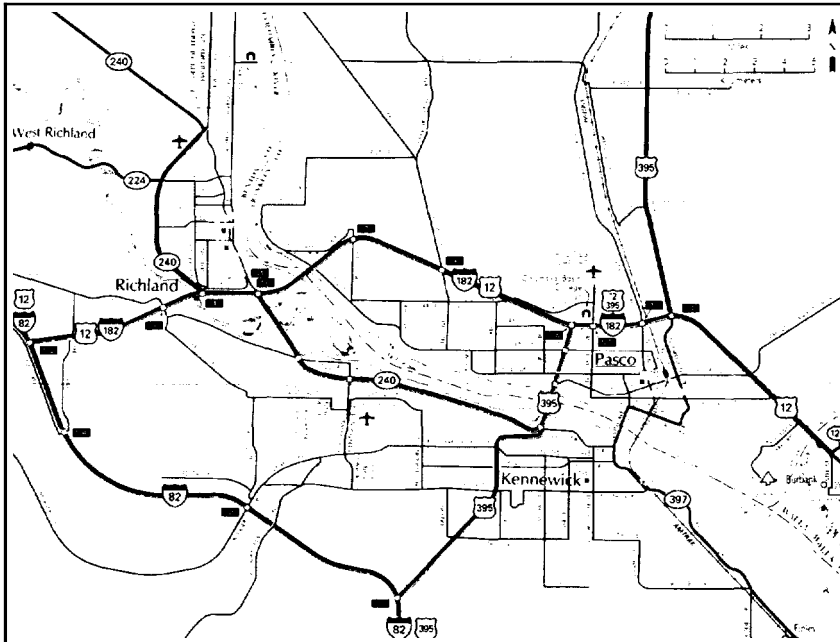
The federal grant money received by the community under this pilot program is crucial to the success of our hard-fought new service, and in support of the community's endeavors for additional competitive service in the future. It also supports the Department of Energy's goals to its employees and contractors to reduce transcontinental travel expenditures into and out of the Tri-Cities. The investment of this money in Tri-Cities is a great use of taxpayer funds, as ultimately its main goal is to reduce taxpayer expense and its primary benefactor is the taxpayers themselves.

Community Background Information

Franklin County, Washington

Pasco, Washington

The City of Pasco is located at the confluence of the Columbia, Yakima and Snake Rivers. Because of its location, Pasco is considered the gateway to the agriculturally rich Columbia Basin. The proximity of Grand Coulee Dam, the largest hydroelectric dam in the United States, has unlocked a wealth of agricultural possibilities for the Pasco area.



A scenic drive through the local farm country will reveal a fresh array of the area's finest produce including tender asparagus, onions, potatoes, apples, cherries and wine grapes, to name only a few.

Pasco enjoys nearly 300 days of sunshine throughout the year. Great weather, combined with the area's inviting waterways, enables residents

and visitors alike to enjoy a multitude of outdoor activities from water sports to golf and wine touring to outdoor theater. The Franklin County Historical Museum, Municipal Golf Course, Trade, Recreation and Agricultural Center, Farmers Market, three public swimming pools and the region's largest sporting complex are among the attractions. Pasco is also home to the area's only bus and train depot, regional airport and barge system.

Area attractions include Sacagawea State Park, 22 miles of well maintained, riverfront bike paths, Ice Harbor Dam, the Columbia River Exhibition of History, Science and Technology Museum, the McNary Wildlife Refuge, Palouse Falls and over 50 wineries within a 50-mile radius.

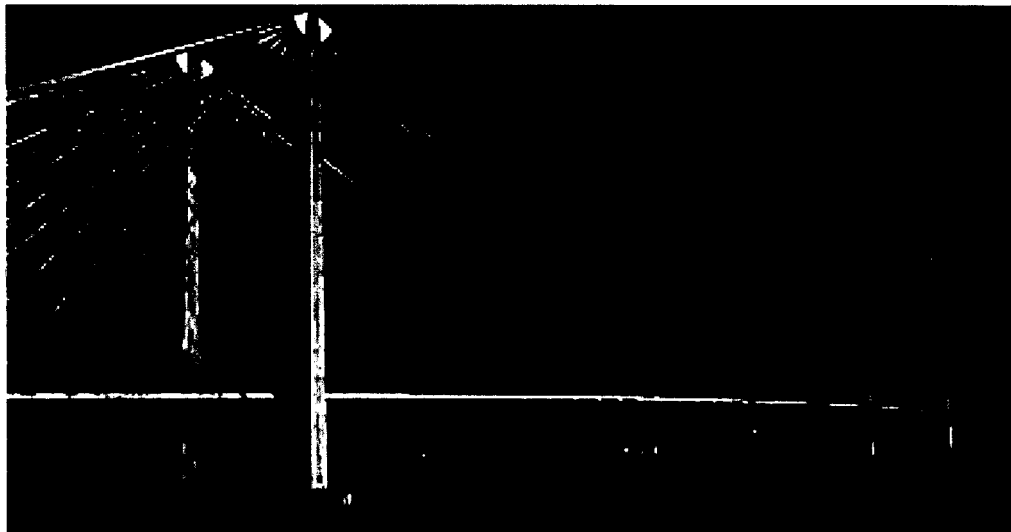
Because of the area's abundant fish supply and mild climate, early man thrived along the banks of the Columbia, Yakima and Snake Rivers. The earliest known habitants of the Western Hemisphere can be found in Northern Franklin County at the Marmes Rock Shelter near Lyons Ferry and Palouse Falls.

On October 16th, 1805, Lewis and Clark's historic journey brought them to the Pasco area. Their famous journal entries describe camping at a site now commemorated by Sacagawea State Park. In the following years, explorers and fur trappers traveled the three rivers using the rivers as guides. Later, Wallula became a stopping point for boats carrying miners to gold mines in Montana, Idaho and Alaska.

The arrival of the Northern Pacific Railroad was instrumental in bringing a rush of settlers to the Washington Territory, leading to statehood on November 11, 1889. The railroad town of Ainsworth moved to Pasco in 1886 and brought with it the county seat. Pasco was named by Virgil Bogue, a construction engineer for Northern Pacific who helped build a railroad in the Andes Mountains near Cerro de Pasco in Peru.

The completion of Grand Coulee dam in 1941, and the subsequent irrigation of surrounding arid lands, brought stability and prosperity through agriculture. The dam also determined the siting of an atomic energy plant at Hanford because of the vast resource of hydroelectric power and the inexhaustible supply of cold Columbia River water.

Transportation, agriculture and trade have shaped Pasco's history. The City has evolved from relying solely on the river and railroad to a city with all major modes of transportation at its fingertips.



Because Pasco is one of Washington State's major trade centers, it has amenities important to business and industry. Pasco is home to one of Eastern Washington's largest business and convention hotels, a modern, full-service airport, extensive rail and barge transport facilities and the city are tied to the state's interstate freeway network.

The areas largest employers include Burlington Northern, Lamb Weston, Boise Cascade Paper and Corrugated Containers, Iowa Beef Processing, JR Simplot, Energy Northwest, Fluor Hanford, Inc. and Battelle Pacific Northwest National Laboratories.

If Pasco had a nickname it might be "the City of Personal Service". Many residents are employed in transportation, communications, utilities, education and government agencies. Another large segment of the population is employed in agricultural services, wholesale/retail trade, finance, insurance and real estate services. The area attracts and maintains a large, skilled workforce.

Manufacturing and heavy fabrication plants are also plentiful in the Pasco area. Among the products manufactured are wine, paper, containerboard, machine parts, heavy fabrication plants, French fried potatoes, jet boats, recreational motor coaches and asphalt.

Benton County, Washington

Richland, Washington

For more then 11,000 years, people have occupied a portion of the area that Richland now encompasses.

For centuries, the village of Chemna stood at the mouth of the Tapetett River, a Sahaptin name for the Yakima River, also called Taptéal. At Chemna, Sahaptin-speaking Wanapum, Walla Walla and Yakama Indians fished for seasonal runs of salmon and hunted small game, including deer and antelope. They gathered berries, greens and root vegetables along the water and on the nearby hills.

In 1805, Captain William Clark of the Lewis and Clark Expedition ventured with two other men up the Columbia River to the mouth of the Yakima. The first white settlers arrived several decades later when the John B. Nelson family attempted to settle, in 1864, on the south side of the Yakima River. Within a year, they had moved up the valley. Benjamin and Mary Rosencrance arrived in 1880, living first on the south side and moving, in 1888, to the north side of the river, where they filed a homestead claim for 1,700 acres.

In 1892, Nelson Rich and Howard Amon formed the Benton Land and Water Company and located the town that would become Richland. The first post office opened here in 1905, listing the town's name as Benton. At the request of the postal service, the town was soon renamed "Richland" to avoid confusion with another Washington community.



For many years, Richland was a small, sleepy farming village. Then in 1942, the Federal Government saw Richland's remote location, abundant water supply and mild weather as the right combination it needed for a portion of its Manhattan Project. Modern day Richland was born. Almost overnight, the village of 247 people developed into a federally owned town of 11,000 residents, nearly all of whom were employed at the Hanford Project. Thousands of workers from across the nation converged on the area surrounding Richland to construct facilities where plutonium for the world's first nuclear weapons would be created.

In 1958, Richland was incorporated as a chartered First Class City, transforming itself from a federally controlled Atomic Energy Community to a city governed by democratic rule. Incorporation did not alleviate Richland's dependency on the Hanford facility. Rather, the City's population continued to climb as Hanford transitioned into weapons production during the Cold War years. Today, many Richland residents are employed at the Hanford site in its environmental cleanup mission.

Richland's primary goal during the early years of the 21st century is to diversify its economy and job base away from Hanford. Richland continues to grow. The United States Year 2000 Census identified 38,708 residents.

Kennewick, Washington

Kennewick is the Indian name for "Winter Heaven." It was given to this site because of the mild winters experienced here. This area was a popular winter camping ground for the Indians, where they fished for

salmon in the Yakima River and grazed their horses on the surrounding hills. The first settlement appeared at the mouth of the Yakima River in 1863.

The Northern Pacific Railway caused the first industrial activity in 1883. It transported its trains across the Columbia River from Pasco to Kennewick by ferry and laid track from Kennewick to several miles beyond Kiona. The railway bridge was completed in 1888, and Kennewick became an incorporated city in 1904. The first industry was a creamery established in 1905. Church Grape Juice Company followed in 1907.

For many years, the town grew slowly. It had a population of only about 2,000 in 1940. With the advent of the Second World War, things changed in the Tri-Cities. The Hanford Atomic Project in nearby Richland brought thousands of people to the area. The construction of McNary Dam and the Columbia Basin Irrigation expanded to accommodate this influx of people. Benton County's population grew nearly four times faster than the State average during the past five years. Kennewick showed the fastest growth. The present population of Benton and Franklin counties is 157,000 people, and the employment figure stands at 76,000. The Tri-Cities is fast becoming the energy and food capital of the world, and Kennewick is well on its way to becoming a leader among the State's inland cities.

The Tri-Cities is the distribution point for the fastest expanding agricultural region in America. Contributing factors are tremendously productive soils, a long growing season, approximately two hundred frost-free days, adequate sunshine and plenty of irrigation water.



The Columbia Basin Project is one of the largest multi-purpose reclamation projects in the world. It was designed to produce food, flood control and recreation. It has created new jobs and industries associated with its construction and development. **826,000** acres have been developed and 966,000 acres are slated for development. Washington is the fourth largest wheat state because of the basin project. Sixty different crops are grown here. The major ones include: potatoes, sugar beets, alfalfa, hat asparagus, beans, peas, tomatoes, melons, mint and lettuce. Orchard plantings are becoming increasingly important.

New apple varieties are the Granny Smith, Criterion and Hawaiian Gold.

The State's grape production is ready for a rapid expansion in the next few years. Because of the outstanding characteristics of the grapes, it is expected that the wine made here will be marketed similarly to European and Californian wine. The Washington fields have a higher average income than California fields because of higher yields per acre. Many state wineries are developing fine Washington wine, and more companies are considering locating wineries in the state.

Tri-Cities Airport

In 1926, the first contract airmail service was established by Varney Airlines between Pasco, Washington and Elko, Nevada. In 1929, the airport was relocated to its present site and became known as the Franklin County Airport. In the early 1940's, the United States Navy built a naval air training station on the site. Ownership of the facility transferred to the City of Pasco when the Navy left after WWII. The Port of Pasco took ownership in 1963. A new terminal building was completed in 1966. A substantial expansion and remodeling project took place in 1986. This project doubled the size of the terminal building and upgraded access roads, parking lots, and the aircraft-parking apron.

The Tri-Cities Airport is the third largest air carrier airport in Washington State. Delta Air Lines, Delta Connection, Horizon Air and United Express serve the airport. In 2001, over 200,000 enplanements were logged to Seattle, Portland, and Salt Lake City.

At the Tri-Cities Airport, the Federal Aviation Administration has invested in state-of-the-art air traffic control and safety equipment. Those investments include ASR-9 Radar/TRACON/Air Traffic Control Tower Facility providing coverage to more than 75-mile radius, including surrounding airports. The City of Pasco provides 24-hour Aircraft Rescue Fire Fighting (ARFF) services at the onsite, airport-owned, fire station. ARFF also provides structural fire protection and ambulance services.

The terminal building offers services ranging from a restaurant and gift/specialty shops, to a travel agency and rental cars. Ample car parking and alternate transportation needs are available near the terminal building.

Business and general aviation services are provided by a fixed base operator; Bergstrom Aircraft, Inc. Critical Air, Inc provides air ambulance service. And Federal Express handles package freight.

Community-Based Airline Service

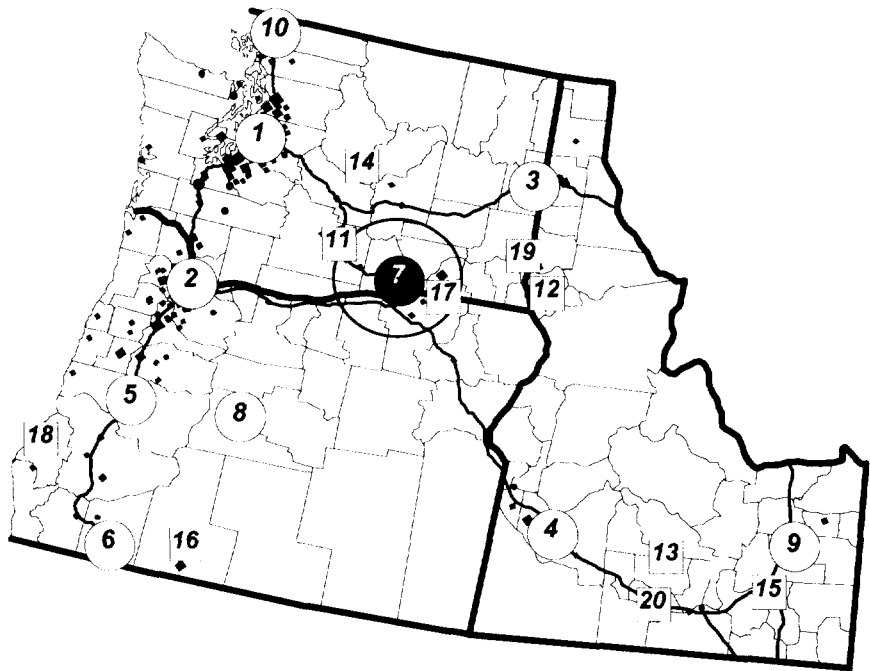
Existing Airline Service

As of April 2002, the Tri-Cities Airport is served by three scheduled airlines. Horizon Air provides non-stop service using turboprop aircraft to both Portland and Seattle/Tacoma. Delta Air Lines, and Delta Connection carrier SkyWest, provide non-stop jet service to Salt Lake City. United Express carrier SkyWest provides non-stop turboprop service to Seattle/Tacoma. However, beginning in May 2002, United Express carrier Air Wisconsin will become the airport's fourth airline, providing non-stop regional jet service to Denver.

For the twelve months ended in September 2001, The Tri-Cities Airport was the 7th largest airport in the Northwest region of the U.S., based on fared passengers.

The Tri-Cities Airport is one of four airports located in the southern Columbia River Basin (the others being Yakima, Walla Walla and Pendleton, Oregon) and it is the only one of those three airports with eastbound

service. If the entire southern Columbia River Basin is considered the potential pool of travelers that use the eastbound services at Tri-Cities, nearly 600,000 people are included.



Historical Airline Service

The Tri-Cities Airport has enjoyed scheduled commercial passenger service since 1926, when Varney Airlines (a predecessor to United Airlines) began service to the airport. The acquisition of new service to Denver is the first time in recent history that a new destination has been offered for area residents.

Air Service Needs

The Tri-Cities Airport, with service provided, as of May, to four hubs by four different airlines, is relatively well served compared to communities its size. However, the Tri-Cities Airport, along with the Tri-City Industrial Development Council (TRIDEC), and area businesses, have worked aggressively over the last several years to bring competitive service to the airport, in an attempt to lower the higher than average airfares in the community. Government contractors working at the Hanford Site, Pacific Northwest National Laboratory and other industries affiliated with the Government have been given directives to attempt to reverse the trend of higher than average airfares at Pasco.

According to the most recent data available, of the top 20 Northwest region airports, the Tri-Cities (Pasco) ranks as having the second highest airfares, behind only Sun Valley, Idaho. Fared average fares of **\$182** one-way are 19.3% above the region average.

Top 20 Northwest Region Airports - Domestic Totals

Ranked by Fared Average Fare

Twelve Months Ended September 2001

Rank	Airport	Fared O&D Passengers	O&D Revenue	Fared Avg. Fare	Difference From Average
1	Sun Valley	111,020	\$22,564,300	\$203.25	33.4%
2	Pasco	382,210	\$69,480,750	\$181.79	19.3%
3	Twin Falls	51,630	\$9,138,740	\$177.00	16.2%
4	Idaho Falls	212,960	\$37,295,540	\$175.13	14.9%
5	Pocatello	87,580	\$14,991,120	\$171.17	12.3%
6	Medford	416,510	\$69,093,270	\$165.89	8.9%
7	Eugene	632,990	\$103,958,040	\$164.23	7.8%
8	Seattle/Tacoma	17,363,500	\$2,822,885,620	\$162.58	6.7%
9	Bellingham	167,660	\$26,421,850	\$157.59	3.4%
10	Redmond/Bend	268,330	\$41,227,640	\$153.65	0.8%
11	Klamath Falls	57,660	\$8,818,830	\$152.95	0.4%
12	Portland	9,699,960	\$1,424,073,060	\$146.81	-3.6%
13	Yakima	143,620	\$21,037,370	\$146.48	-3.9%
14	Pullman/Moscow	53,130	\$7,642,160	\$143.84	-5.6%
15	North Bend	54,720	\$7,562,220	\$138.20	-9.3%
16	Walla Walla	55,040	\$7,498,470	\$136.24	-10.6%
17	Lewiston	117,070	\$15,679,940	\$133.94	-12.1%
18	Wenatchee	90,280	\$11,642,040	\$128.95	-15.4%
19	Boise	2,447,860	\$313,446,740	\$128.05	-16.0%
20	Spokane	2,627,490	\$313,227,550	\$119.21	-21.8%
Northwest Average		35,222,170	\$5,366,432,120	\$152.36	0.0%

Strategic Plan

Air Service Action Plan – Existing

Over the last four years, the Tri-Cities Airport, working in conjunction with the Tri-City Industrial Development Council (TRIDEC), and various local businesses, has been implementing a strategic plan developed in 1998. At that time, an Air Service Development Master Plan was developed. This plan analyzed the existing market, identified deficiencies and recommended strategies to improve service.

The results of the Master Plan determined that the strategy should be to approach Tri-Cities' incumbent carriers, lay out the problems as the community saw them and give the airlines the opportunity to address the deficiencies internally. Delta Air Lines, Horizon Air and SkyWest Airlines were briefed on the results of the study. Each declined to take any steps to rectify any of the identified problems with air service.

The second part of the strategy consisted of marketing the community to one or more airlines that could provide competitive service. In 2000, the community targeted America West Airlines as a potential candidate to provide service between the Tri-Cities and Phoenix. America West has thus far declined to provide service.

In 2001 United Airlines was targeted by the community as a potential carrier to provide service between the Tri-Cities and Denver. United Airlines accepted the proposal. Air Wisconsin will provide twice daily regional jet service on the route. The flights are timed to best meet the needs of transcontinental travelers.

An additional goal identified in the Air Service Master Plan is increased competitiveness on the route between the Tri-Cities Airport and Seattle/Tacoma. While Horizon provides frequent and excellent service between the two cities, airfares paid by travelers are higher than those paid at other markets in the region. SkyWest Airlines also provides service to Seattle/Tacoma, but has not been inclined to compete directly with Horizon. The bulk of SkyWest's traffic is connecting through Seattle/Tacoma to other United Airlines destinations. Thus far, the solution for this quandary has eluded community leaders as well as consultants. There are no carriers that have been identified that would serve the Tri-Cities to Seattle/Tacoma route. Repeated efforts to convince Horizon Air or Alaska Airlines to ease airfares have been unsuccessful. They continue to charge higher than average airfares because they can, and have been uninterested in the potential to stimulate traffic through price reductions.

The community will continue to identify additional air service opportunities as they arise and continue to market to those potential airlines.

Assistance of DOT Grant Money for Existing Plans

The Port of Pasco, TRIDEC, and several local businesses have, over the last three years, spent close to \$40,000 developing the Air Service Master Plan and marketing the community to prospective airlines. This was done, not only to meet the directive of the Federal Government to lower airfares for Government employees and contractors, but also to help diversify and expand the local economy. In addition, \$50,000 has been committed to provide direct marketing support for United Airlines service to Denver, which begins May 2002. The community will continue to fund other components of the Master Plan and will continue to market itself to prospective carriers when opportunities arise.

Federal grant money can help insure that the time and effort expended by the community thus far proves successful in the near and long-term. It is imperative that the community supports the new service to Denver. The only way to do this is to provide overwhelming marketing and advertising support. The target of the advertising would not be limited to the new United service, though. The goals would be to raise the awareness in both Benton and Franklin counties, and surrounding areas in the south Columbia River Basin of Washington and Oregon, about the service available at Tri-Cities.

Long-term, the immediate success of the Denver route, coupled with the continued success of Delta's service to Salt Lake City (the assumption is that new eastbound service will not affect west-bound service to Seattle/Tacoma or Portland), will be the key to determining whether or not the community will retain the Denver service, and whether and when the community will receive additional service in the future. For example, should the community support the new service immediately, a third flight could be added to Denver, or service could be sought for San Francisco, Los Angeles or Boise. Also, should the service prove successful immediately, the community would be able to approach America West to reconsider service to Phoenix.

The Federal grant money could increase the money available for the general marketing of the airport by 10 times, thus helping to insure its success.

Explanation of New Plan

The plan is simple, and expands on the solutions being implemented by the community at present. That is, the marketing of the services provided at the airport so that the community is made aware of the recent success in acquiring new service, and, so the public will support it immediately.

If awarded the grant, the Port of Pasco, working with TRIDEC, will add the \$200,000 from the DOT to the \$20,000 committed locally for the project, to intensify the campaign and lengthen the program time. The Port will use some of the money to retain a local advertising agency and develop copy material. Advertising outlets will include newspapers, magazines, tourist brochures, newsletters, fliers, radio and

television. In addition, The Port will place advertisements in State of Washington tourism magazines. The Port will also purchase billboards and radio advertisements. The Port will also work with various government agencies to get the word out that new service options exist for travelers to and from the Tri-Cities Airport. The Port will also work with local travel agencies and civic groups to get the word out.

All advertising will be airport related, and it will not be specific to one airline. However, special emphasis in the ads will detail new service options available to the community. For example, ad copy could read: "The Tri-Cities Airport, with service provided by Horizon, Delta and United Airlines. Service provided to Seattle/Tacoma, Portland, Salt Lake City, and beginning in May new service to Denver." The ad could then describe the flight times to Denver and list some sample airfares. The Port will also purchase space in the travel section of the local newspaper on a weekly basis to compare airfares offered at Tri-Cities Airport to those at Spokane, for instance, to destinations on the east coast and in the central U.S. Historically, the fares have been high, so people don't even check. Part of our goal would be to make sure people understand the service offered and to make sure they ask for Tri-Cities fares first.

In order to insure the success of the new service, it will be important that people in the community realize that Delta and United have reciprocal frequent flier agreements. They need to know United Airlines frequent fliers can collect United mileage credits on Delta flights and vice versa. Once the majority of travelers know this information, the advantage that Delta has in the market with their existing frequent flier base is diminished, and travelers will book more on schedule availability and price, instead of basing their choice solely on mileage plan affiliation.

In addition, a portion of the grant money will be used to purchase airline frequent flier miles from both United and Delta to be used at promotions, community events and other activities, as an enticement for people to find out about the service. These mileage blocks will be enough for a free ticket to travel through either Denver or Salt Lake City.

Primary Objective of New Plan

The primary objective of the new plan is to exponentially increase the awareness in the local community, and surrounding communities, about the availability of existing and new airline service at the Tri-Cities Airport. The retention of the new service past the first year is paramount to the long-term strategies identified by the airport and the community.

Expected Results – Timing

The direct advertising campaign to support the new service, which is targeted expressly at United Airlines, has already begun. While those involved in the effort to acquire new service to the Tri-Cities are aware of the new service, that may not be the case in the general community.

What Won't This Program Achieve

This program will not guarantee the survival and expansion of the new Denver service. The program will also not guarantee that the market will receive lower fares. However, we are convinced that our strategy is sound and that the Federal Government grant will be very useful in achieving our planned for results.

Target Audience – Users of Service

The target audience for the new service to Denver is primarily Federal Government employees and Government contractors connected with the US Department of Energy facilities at Hanford and the Pacific Northwest National Laboratory. In addition, the many other large and small businesses connected to these facilities, either directly or indirectly, will use this service.

Indirectly, the Tri-cities area has many large and small businesses that travel extensively throughout the central and eastern U.S. Should our program prove successful, service improves and airfares are reduced, leisure travelers out of the region, and tourists coming to the area, should increase as well.

Studies Needed/ Staff / Outside Consultants

The Port of Pasco and TRIDEC have self-funded all of the projects and analysis, up to this point, to increase air service to and from the region. Outside consultants have been contracted for these various studies and airline presentations.

In using the grant funds, the Port will hire a local outside advertising agency that will help develop the copy to be used, and to help in the placement of that copy. Port and Airport staff will help with this project. There will be no need to hire additional staff for this program. There is no need for additional consulting services for the implementation of this specific advertising and marketing project.

There is no proposed use of local universities or colleges as part of this grant request.

Funding Necessary – Use of Funds

With roughly 175,000 residents in the metropolitan area, the Tri-Cities is not that large in terms of the expenditures necessary to reach a wide number of people with advertisements. A 12-month program to promote the airport will require roughly \$220,000, of which the Tri-Cities Airport is requesting \$200,000 of federal grant money to help. The Airport's investment is enough to hire the advertising agency and

develop the copy materials to be used in publications and radio and TV spots. The federal grant money will be used to pay for the placement of those ads around the area and in regional and national publications that focus on Washington State or the South Columbia Basin.

The Port will work with other government agencies, such as the Washington Department of Tourism, to stretch the advertising money farther. In-kind support will be requested from other local public agencies to add the Tri-Cities airport ads to other ads these agencies may already place. For example, should a local convention & visitors bureau publish a national ad, every effort will be made to piggy-back the airport's ad with the other agency. The goal is to stretch the ad dollars as far as possible.

Proposed Public / Private Partnerships

Marketing and Advertising

The Tri-Cities Airport, in conjunction with TRIDEC and various local businesses and organizations, will spearhead the campaign of targeted advertising and marketing to raise the awareness in the community of the services offered at the airport. The Tri-Cities Airport and TRIDEC will generate \$20,000 in support of the federal grant money for this purpose.

In-kind Services from the Community

The Tri-Cities Airport will work diligently with local groups and organizations to cooperatively advertise the services at the local airport whenever an advertisement is placed about visiting the community or relocating to the community. For example, local convention & visitors bureaus routinely produce national advertisements enticing people to visit the Tri-Cities area or to hold meetings and conventions in the area. The Tri-Cities Airport will work with these agencies to include information about the service options available at the airport in ads that are already running and paid for.

In addition, the Tri-Cities Airport will solicit in-kind services from the community. The airport may ask the local newspaper to donate space for promoting the new services in exchange for a commitment to purchase a pre-determined amount of ad copy.

Master Plan Components

Airport Infrastructure in Place

The Tri-Cities Airport is a Part 139 facility that presently has scheduled airline service. There are no improvements that are necessary for this plan. There are no changes to the infrastructure of the airport that are under construction or planned which would cause delays or cancellations in the implementation of this program.

Performance Measures

Milestones for Success - Program Monitoring

As part of this advertising and marketing strategy, the advertising firm that is hired by the Tri-Cities Airport to help institute this program will do several surveys, before, during and after the implementation of this plan. These surveys will gauge the level of knowledge in the marketplace about existing services at the airport and the new service beginning in May. The survey will also ask general questions about the fares charged in the market and whether they are getting better or worse to selected destinations. The Tri-Cities Airport will compare the results of the pre-initiation survey with those conducted at specific intervals, as the program commences, in order to judge the awareness in the community of the services offered. The airport will then have information as to the success of the marketing and advertising program and whether or not changes need to be made, or money redirected, to more successful distribution channels.

The Tri-Cities Airport will also independently track airfares to selected destinations to determine whether the hoped-for results are materializing and to give credence to the strategies implemented to get to this point. The airport will compare these results to past indicators and to similar markets in the region.

Finally, the Tri-Cities Airport will track enplanements and load factors for all airlines to determine if usage levels are meeting pre-determined targets and whether the community is supporting the new flights as well as continuing to support incumbent carriers. Problems can be quickly identified and changes in strategy formulated to try to correct deficiencies before ridership degrades to the point of service reductions.

The Tri-Cities Airport will also independently contract to receive information from the DOT concerning carrier market shares, revenues, average airfares, and destinations, via the U.S. DOT's OD1A database. This analysis, done quarterly, will track changes that may affect incumbent and new carriers on the bottom line and may lead to service reductions.

Financial Controls

The Tri-Cities Airport, a division of the Port of Pasco, is a public agency whose finances are audited regularly. A separate account will be set up within the airport's accounting system to specifically track this grant. In order to insure that the Federal grant money is being used as requested in this proposal, contracts and invoices will be available to the DOT at all times. In addition, the advertising agency selected will provide the airport with the exact number of spots placed in each medium, on a monthly basis, and the unit price for each placement. Finally, the airport will keep a record of all in-kind, and/or joint advertising agreements, to be inspected by DOT upon request.

Air Service Development Budgets

Short-Term Budnet (Year 1)

The grant money requested in this proposal will be spent within 12 months of the implementation of the plan and the receipt of Federal money. The \$200,000 requested from the Federal Government, coupled with the \$20,000 pledge locally, will amount to roughly \$18,000 per month to promote new service at *the* airport.

In addition, the local community, through TRIDEC, is spending \$50,000 to directly support the new United Express service to Denver.

Mid-Term Budnet (Year 2-3)

Depending on the results of this program, the Tri-Cities Airport is set to continue its pledge of \$20,000 per year to advertise and market the airport in general, emphasizing existing tenants. The airport and TRIDEC will continue to identify new opportunities as they come up. Should additional service come to the Tri-Cities Airport over the next two to three years, additional resources will be sought to support that service as well.

Long-Term Budget (Year 4 and beyond)

The Tri-Cities Airport and the Port of Pasco will continue to support the marketing of the airport through a continuing pledge of \$20,000 per year.

Conclusion

The Tri-Cities Airport serves as the focus airport for the lower Columbia River Basin in Washington and Oregon. **As** the third largest commercial service airport in the State, Tri-Cities Airport has traditionally been provided with good service by three different airlines. The problem with service at the Tri-Cities has always been one of competitive airfare offerings. With the majority of travelers using the airport being government employees, contractors and business-people, the airlines serving the airport have never been required to offer competitive fares to fill the seats available. This has hampered the attempts of the 175,000 residents of the Metropolitan Area from being able to diversify their economy with tourism and related industries. While some headway has been made over the last few years, tourists are still primarily drive-ins from the region. The area continues to be dominated by Government activities in and around Hanford.

At the request of the US Department of Energy, the Tri-Cities Airport, working in conjunction with the Tri-City Industrial Development Council (TRIDEC) and local businesses, has spent considerable time and resources over the last several years attempting to provide the operating environment that would lower airfares into and out of the community. DOE's goal was to reduce travel budgets for employees and contractors traveling to and from the Tri-Cities area. With only one airline providing eastbound transcontinental service to points such as Washington D.C., airfares have continued to be a problem for growth.

Over the last three years a strategy has been developed by the Tri-Cities Airport to put downward pressure on airfares by bringing additional competitive service to the community. The airport has worked aggressively to recruit airlines that "fit" the Tri-Cities. Last month, the airport successfully culminated its effort by securing a commitment from United Airlines to provide service to Denver. Service begins in May. This should be the first step in achieving the goal of the government and the local community to offer reasonably priced, competitive fares.

However, it is important that this new service be successful immediately. To that end, TRIDEC has committed \$50,000 in direct advertising and marketing support to United Airlines. This money is already being spent. United Airlines is providing the ad copy, while TRIDEC is paying for the placement of the ads. It is equally important to balance this initial push of supporting United service over the next few months with a sustained campaign to promote all of the service at the airport. Incumbent carriers need to realize increased revenue through the stimulative effect of competition. The airport is proposing to support the new service, and increase traffic for all its airlines, by using federal grant money to aggressively promote the airport and its airlines over the next twelve months.

The Tri-Cities Airport is convinced that such an effort will pay off with increased ridership. This increased support of new service, and incumbent carrier service, will be used by the airport and TRIDEC to identify additional service opportunities and aggressively push to acquire more flights for the community. The airport envisions nonstop service to Phoenix, San Francisco and Los Angeles in the near-term, as well as increased frequencies, or larger-sized aircraft, to Salt Lake City and Denver. Solutions are still being formulated to combat higher than average airfares between the Tri-Cities and Seattle/Tacoma.

The community has done its part of the Federal request to impact airfares, now it is up to the Federal Government to support the hard work the Tri-Cities area has completed. Aid in helping promote and market the new service would be a great **show** of support that could ultimately directly impact the Federal Government through lowered traveling expenses to and from the Tri-Cities. The plan: taxpayer money invested wisely, to be returned through lower airfares – a solution for all.

Contact Information

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Airport Director
Tri-Cities Airport, Port of Pasco
3601 North 20th
Pasco, WA 99301
(509) 547-6352
jimm@portofpasco.org*

Appendix: Airport Operating Budgets

Airport revenue and expense reports, as well as, current fiscal year projections are listed on the next 3 pages.

Sponsor: Port of Pasco		Operating and Financial Summary	
Name of Airport: Tri-Cities Airport			
Fiscal Year Ended 12/31/00			
Operating Revenue		Operating Expenses	
Aeronautical Operating Revenue		1. Personnel Compensation and Benefits \$ 1,218,844	
1. Landing Fees	\$ 417,925	2. Communications and Utilities \$ 166,697	
2. Terminal/international arrival area rental or other charge	\$ 320,552	3. Supplies, Materials, Repairs, Maintenance \$ 190,458	
3. Apron charges/tiedowns		4. Services (1) \$ 358,611	
4. Fuel flowage fees	\$ 9,539	5. Insurance and Claims \$ 92,592	
5. Utilities		6. Government in lieu, permit, impact fees, etc. \$ 14,173	
6. FBO revenue: contract or sponsor-operated	\$ 65,236	7. Misc. (Should not exceed 5% of total op expenses) \$ 96,841	
7. Cargo and hangar rentals		8. Other (Enter total here and add attachment)	
8. Security Reimbursement		Total Operating Expenses	
9. Misc. (Should not exceed 5% of total aeronautical)		\$ 2,138,216	
10. Other (Enter total here and add attachment)			
Total Aeronautical Operating Revenue		\$ 813,252	Non-Operating Expense and Other Fund Use
Non-Aeronautical Operating Revenue			1. Debt Service Payments Net of Capitalized Interest \$ 373,970
1. Rent/land rental	\$ 780,101		2. Transfers to Reserves
2. Concessions	\$ 95,794		a. Depreciation \$ 1,132,853
3. Parking	\$ 728,741		b.
4. Rental Cars	\$ 522,674		Total Transfers to Reserves \$ 1,132,853
5. In-flight Catering			3. Capital Expenditures
6. Interest Income			a. \$ 1,777,875
7. Royalties from natural resource sales			b.
8. Misc. (Should not exceed 5% of total nonaeronautical)			Total Capital Expenditures \$ 1,777,875
9. Other (Enter total here and add attachment)			4. Other Non-Operating Expenses and Fund Uses
Total Non-Aeronautical Operating Revenue		\$ 2,127,310	a.
Total Operating Revenue		\$ 2,940,562	b.
			Total Other Non-Operating Expenses and Fund Uses
Non-Operating Revenue and Other Receipts			Total Non-Op Exps and Other Fund Uses
1. Bond Proceeds			\$ 3,284,698
2. Proceeds from sale of property not subject to Federal obligations			Total Expenses and Fund Uses
3. Proceeds from sale of property subject to SPA/grant obligations			\$ 5,422,914
4. Grant payments	\$ 1,647,435		REVENUE SURPLUS (LOSS)
5. Passenger Facility Charges	\$ 591,492		\$ (237,569)
6. Other Dispensers and miscellaneous	\$ 5,856		
Total Non-Operating Rev. and Other Receipts		\$ 2,244,783	Guidance used for accounting (check one or more)
Total Revenue and Other Receipts		\$ 5,185,345	GAAP OMB Circular A-87
			(1) Services includes fees for other governmental services not included in other categories
			Cash basis — Accrual — Other —
Please complete this form in order assist the public in understanding airport finances and the use of airport generated revenue		Authorized Representative	Date 04/11/01
		(Director of Finance and Administration	
		Title	
FAA Form 5100-125 (xx)			
AGENCY DISPLAY OF ESTIMATED BURDEN.			

Operating and Financial Summary

Please use Helvetica, 7 point font	Fiscal year end date	12/31/2001
Airport Name	Location ID	PSC
Sponsor Name	State	Washington
Sponsor Employer Identification Number	Date when AIP was last audited as a major program	8/1/00
Consolidated Report? Enter Yes or No	Is this report based on audited information? Please enter Yes or No	no

Summary of Revenues and Expenses

A. Aeronautical Operating Revenue		
1. Landing fees	\$ 360,253	\$ 83,280
2. Terminal/International arrival area rental or other charge	\$ 320,125	\$ 83,280
3. Apron charges/tiedowns	\$ 1,548	
4. FBO revenue: contract or sponsor-operated	\$ 85,874	\$ 1,615,259
5. Cargo and hangar rentals		\$ 950,179
6. Aviation fuel tax retained for airport use		
7. Fuel sales net profit/loss or fuel flowage fees	\$ 8,887	
8. Miscellaneous (not to exceed 5% of Aeronautical)		
9. Other (enter total here and add attachment)		
Total	\$ 776,667	
B. Nonaeronautical Operating Revenue		
1. Land and non-terminal facilities	\$ 802,656	
2. Terminal - food and beverage	\$ 60,374	\$ 1,333,348
3. Terminal - retail stores	\$ 2,400	\$ 1,333,348
4. Terminal - other	\$ 10,217	
5. Rental cars	\$ 613,901	
6. Parking	\$ 782,559	
7. Misc. (Should not exceed 5% of total non-aeronautical)		
8. Other (Enter total here and add attachment)		
Total	\$ 2,272,107	
C. Nonoperating Revenues		
1. Interest income - restricted and non-restricted	1,109	\$ 370,220
2. Grant receipts	1,333,348	
3. Passenger Facility Charges	610,082	\$ 1,330,000
4. Other	4,458	\$ 20,764,594
Total	\$ 1,948,997	
D. Operating Expenses		
1. Personnel compensation and benefits	1,308,969	\$ 385,075
2. Communications and utilities	180,958	\$ 637,353
3. Supplies and materials	79,920	\$ 1,022,428
4. Repairs and maintenance	106,568	
5. Contractual services	372,447	
6. Insurance, claims and settlements	101,667	
7. Misc (should not exceed 5% of total op expenses)	97,680	
8. Other	88,844	
Total	\$ 2,349,053.00	\$ 19,742,185
E. Non-Operating Expenses		
1. Interest expense		
2. Other		
Total		
F. Depreciation		
Net (Total A+B+C Less D, E and F)		
Other Financial Information		
G. Reporting Year Proceeds		
1. Bond proceeds		
2. Proceeds from sale of property		
3. Grants and other contributed capital		
4. Other		
Total		
H. Reporting Year Expenditures for Projects		
1. Airfield (Taxway C & E, VISARDS, GA Ramp)		\$ 1,408,688
2. Terminal		\$ 20,124
3. Parking (Long Term Parking expansion)		
4. Roadways, rail and transit		\$ 151,775
5. Other (Air Freight sewer connect, BPA Line room, Backflow)		\$ 1,580,567.00
Total		\$ 370,220
I. Reporting Year Debt Payments Incl. Interest		
J. Indebtedness at End of Year		
1. Bonds	\$ 1,330,000	
2. Loans		
3. Other		
Total		
K. Net Assets		
L. Restricted Financial Assets		
1. Restricted debt service reserve		
2. Restrictions for renewals and replacements		
3. Other restricted financial assets		
Total		
M. Unrestricted Financial Assets including cash		

I certify that the information on this form is true and accurate to the best of my knowledge and belief.

Signature: Linda M. O'Brien Date: 04/15/2002
 Printed name: Linda M. O'Brien Telephone No.: 509-547-3378
 Title: Director of Finance and Administration

Paperwork Reduction Act Statement: The information collected on this form facilitates the submission of operating and financial summary data. Section 111(b) requires the Secretary of Transportation to issue a simplified format for reporting data applicable to airports to assist in public understanding of airport finances and to provide information concerning the amount of revenue surplus, the amount of concession-generated revenue, and other information required by the Secretary. The burden for each response is estimated to be 5 hours. Responses are estimated to be 5 hours. No assurance of confidentiality is given. Please note that an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB number. The OMB control number associated with this collection is 2120-0569.

BE IT RESOLVED BY THE PORT COMMISSION OF THE PORT OF PASCO AS FOLLOWS:

SECTION I

The following is hereby adopted as the Preliminary Budget for the calendar year 2002

	General All Departments	Construction	Total
REVENUE			
Taxes			
Levy 00045 of Valuation	1,043,431	0	1,043,431
PFC Estimated	<u>480,000</u>	<u>0</u>	<u>480,000</u>
TOTAL TAXES	\$1,523,431	0	\$1,523,431
Contributions			
FAA Grants	0	1,800,000	1,800,000
Local Toxic Control Act	<u>300,000</u>	<u>0</u>	<u>300,000</u>
TOTAL CONTRIBUTIONS	\$300,000	\$1,800,000	\$2,100,000
Operations Revenue	4,620,000	0	4,620,000
12.84% Tax	350,000	0	350,000
Miscellaneous	0	0	0
Total Estimated Receipts	6,793,431	1,800,000	8,593,431
Estimated Cash Year End	<u>1,281,075</u>	<u>0</u>	<u>1,281,075</u>
TOTAL REVENUE	\$8,074,506	\$1,800,000	\$9,874,506
EXPENSE			
Revenue Bond Principle	275,000	0	275,000
Revenue Bond Expense	203,195	0	203,195
Soils Clean-up	300,000	0	300,000
Operating Expenses	4,553,040	0	4,553,040
12.84% Tax	<u>350,000</u>	<u>0</u>	<u>350,000</u>
	\$5,681,235	\$0	\$5,681,235
Capital Outlay	<u>2,393,271</u>	<u>1,800,000</u>	<u>4,163,200</u>
TOTAL	\$8,074,506	\$1,800,000	\$9,874,506

REVISED BUDGET (TAXES INCLUDE UPDATED ESTIMATE FOR NEW CONSTRUCTION
PER COUNTY ASSESSOR)